

REPORT OF EXAMINATION

OF

INSPIRIEN INSURANCE COMPANY

MONTGOMERY, ALABAMA

as of

December 31, 2017

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EXAMINER'S AFFIDAVIT

STATE OF ALABAMA,
MONTGOMERY COUNTY,

Rhonda B. Ball, CFE, being duly sworn, states as follows:

1. I have authority to represent Alabama in the examination of Inspirien Insurance Company.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of Inspirien Insurance Company was performed in a manner consistent with the standards and procedures required by the State of Alabama.

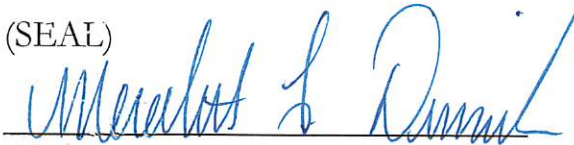
The affiant says nothing further.



Rhonda B. Ball

Subscribed and sworn before me by Rhonda B. Ball on this 31st day of May 2019.

(SEAL)



(Signature of Notary Public)

My commission expires 03-01-2020



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 502
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DEPUTY COMMISSIONER
JERRY WORKMAN
MARK FOWLER

CHIEF EXAMINER
RICHARD L. FORD

STATE FIRE MARSHAL
SCOTT F. PILGREEN

GENERAL COUNSEL
REYN NORMAN

May 31, 2019

Honorable Jim L. Ridling
Commissioner of Insurance
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your instructions and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners, a full scope financial and market conduct examination as of December 31, 2017, has been made of

**Inspirien Insurance Company
Montgomery, Alabama**

at its home office located at 509 Oliver Road, Montgomery, Alabama. The report of examination is submitted herewith.

Where the description "Company" or "IIC" appears herein, without qualification, it will be understood to indicate Inspirien Insurance Company.

SCOPE OF EXAMINATION

We have performed our single-state examination of Inspirien Insurance Company (IIC). The last examination covered the period of January 1, 2008 through December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2017.

The examination was conducted in accordance with applicable statutory requirements of the *Code of Alabama 1975*, as amended, the Alabama Insurance Department regulations, bulletins and directives and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices. All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment was documented separately following the Company's financial statements.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

This examination report includes significant findings of fact, as mentioned in the *Code of Alabama 1975*, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company's 2013 through 2017 annual statements were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IS) was conducted concurrently with the financial examination. The IS examination included a review of management and organizational controls, system and program development controls, contingency planning controls, service provider controls, operations

controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was also conducted concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims, policyholder complaints, marketing and sales, producers' licensing, underwriting, policy forms and rate filings, and privacy policy and practices. See **"MARKET CONDUCT ACTIVITIES"** on page 15 for further discussion of the Company's market conduct examination.

TaylorChandler, LLC. (TC) performed the Company's external audit for 2017. Faulkner Mackie & Cochran, P.C. (FMC) performed the external audits for 2013 through 2016. The CPAs' workpapers were reviewed and were used in the examination as deemed appropriate by the examiners.

A signed certificate of representation for the Company was obtained during the course of the examination. In this certificate, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2017.

ORGANIZATION AND HISTORY

The Company was incorporated on February 28, 2003, pursuant to the Alabama Business Corporation Act as Coastal Insurance Risk Retention Group, Inc. The Articles of Incorporation were filed in the office of Probate Judge Reese McKinney, Jr. in Montgomery County, Alabama on February 28, 2003. Item 6 of the Articles of Incorporation stated:

The corporation is organized as a stock insurance company in accordance with the provisions of Chapter 27 of the Alabama Insurance Code, as amended, for the purpose of writing insurance and reinsurance as an insurance risk retention group pursuant to the federal Liability Risk Retention Act, 15 USC §§ 3901 et. Seq., and the Alabama Risk Retention Act, §§ 27-31A-1 through 27-31A-15 of the Code of Alabama (1975)....(a) To engage in the business of writing contracts of casualty insurance and reinsurance, including, without limitation, the type defined as "malpractice" insurance and "liability" insurance in Chapter 5, Section 6 of the Alabama Insurance Code, as amended....

ARTICLE II of the Articles of Incorporation dated February 28, 2003, stated:

2. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 2,500,000 shares of common stock, of which 500,000 shares shall have a par value of \$1.00 per share and shall be designated "Class A Shares" and 2,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class B Shares." The relative rights, privileges, and limitations of the Class A Shares and Class B Shares shall be in all respects identical, share for share.

The Articles of Incorporation filed with the Judge of Probate on June 9, 2006, amended the Articles of Incorporation by deleting ARTICLE II in its entirety. The amended ARTICLE II, states:

2. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 4,750,000 shares of common stock, of which 500,000 shares shall have a par value of \$1.00 per share and shall be designated "Class A Shares," 2,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class B Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class C Shares," 1,000,000 shares shall have a par value of \$.01 per share and shall be designated "Class D Shares," and 250,000 shares shall have a par value of \$.01 per share and shall be designated "Class E Shares." The relative rights, privileges, and limitations of the Class A Shares, Class B Shares, Class C Shares, Class D Shares and Class E Shares shall be in all respects identical, share for share, except that there are differences in purchase requirements and payment plans for each class of stock. In addition, Classes D and E Shares shall not have voting or dividend rights.

Effective March 25, 2013, the Company reorganized and changed its name to Coastal Insurance Company Inc. Effective June 29, 2015, the Company changed its name to Coastal Insurance Company.

On October 4, 2016, at a Special Shareholders' Meeting, the Shareholders by supermajority vote approved a Plan and Agreement of Share Exchange and Merger (Plan) for the creation of an insurance holding company that had received prior approval by the Alabama Department of Insurance. The Plan involved several stages. Effective October 5, 2016, the first stage was the Company's name change to Inspirien Insurance Company. The second action taken was the formation of Inspirien Holding Company (IHC) as a subsidiary of the Company on November 4, 2016. The third stage was the formation of Inspirien Insurance Solutions, Inc. and Inspirien PSO, Inc. as subsidiaries of IHC on December 19, 2016. The final step in preparation to implement the Plan was the filing with the Alabama Secretary of State

and the Montgomery County Probate Court of the Plan and the Certificates of Share Exchange between the Company, IHC, and Coastal Insurance Services, Inc. on December 29, 2016. On January 5, 2017, the Sixth Amendment to the Company's Articles of Incorporation was filed. With this filing, IHC's shares were swapped with the shares of the Company. IHC became the parent company. The Company transferred \$2.5 million to IHC to capitalize the Holding Corporation.

The Company provided the following insurance coverages to hospitals and physicians in the state of Alabama at December 31, 2017:

- Medical malpractice – claims made
- Other liabilities – claims made

At December 31, 2017, the Common capital stock was \$1,000, Gross paid in and contributed surplus was \$8,702,044, Aggregate write-ins for special surplus funds was \$2,500,000, Unassigned funds (surplus) was \$9,455,769, and Treasury stock was \$108,870. See caption "FINANCIAL CONDITION/GROWTH OF THE COMPANY" on page 14.

MANAGEMENT AND CONTROL

Stockholders

The Company is a stock corporation with ultimate control vested in its stockholder. At December 31, 2017, 100% of the issued and outstanding common stock was owned by Inspirien Holding Company. The ultimate controlling persons are DCH Healthcare Authority Stock (27.79%) and Southern Medical Health Systems Stock (14.53%).

Board of Directors

The following directors were elected by the stockholder and were serving at December 31, 2017.

Name and Residence

Bryan Neal Kindred
Tuscaloosa, Alabama

Principal Occupation

President and Chief Executive Officer,
DCH Health System

Margaret Maria Nekic
Montgomery, Alabama

President and Chief Executive Officer,
Inspirien Insurance Company

Douglas Bentley Hughes
Birmingham, Alabama

Chief Operating Officer and Secretary,
Inspirien Insurance Company

Brandon Clinton Driscoll
Montgomery, Alabama

Chief Business Officer and Treasurer,
Inspirien Insurance Company

Officers

The following officers were elected by the Board of Directors and were serving at December 31, 2017:

Officer

Title

Margaret Maria Nekic

President and Chief Executive Officer

Douglas Bentley Hughes

Chief Operating Officer and Secretary

Brandon Clinton Driscoll

Chief Business Officer and Treasurer

Tonya Kathrene Freyman

Vice President and Chief Innovation Officer

Robert James Milling IV

Vice President of Innovation and Technology

Dawn Wilkes Adams

Senior Vice President of Operations

Committees

The following committees were functioning on behalf of the Company as of December 31, 2017:

Compliance and Audit Committee

Frank Willard Harris

Robert Curtis Chapman

Louie Cecil Wilson, M.D.

Gerald Leon Wallace, Jr.

Nominating and Corporate Governance Committee

Louie Cecil Wilson, M.D.

Robert Curtis Chapman

Jennie Rogers Rhinehart

Conflict of Interest

The Company follows an established procedure for the disclosure of conflicts between the Company's interests and personal interests of the employee. The conflict of interest statements, filed annually by the officers and directors of the Company, were reviewed for the period covered by the examination. The Company did not

provide signed conflict of interest statements for three of its officers for certain years under examination, which was not in accordance with ALA. CODE § 27-27-29 (a) (1975). According to this statute, "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

Dividends to Policyholders

There were no dividends paid to policyholders for the period under examination.

CORPORATE RECORDS

The Articles of Incorporation and By-Laws and amendments thereto were inspected during the course of the examination and appeared to provide for the operation of the Company in accordance with usual corporate practice and applicable statutes and regulations. The Company's By-laws were amended and restated effective January 4, 2017. There were four amendments to the Company's Articles of Incorporation during the examination period as follows:

March 25, 2013 Amendment

- The Company reorganized and converted to a stock insurance company and changed its name to Coastal Insurance Company, Inc.
- The Company amended and restated its bylaws to reflect the reorganization and recapitalization

June 29, 2015 Amendment

The shareholders amended and restated the Articles of Incorporation which included the following:

- Name of Corporation
- Type of Entity
- Purpose of the Corporation
- Duration of the Corporation is perpetual
- Shares
- Board of Directors
- Bylaws
- Required Vote of Shareholders

- Limitation of Directors' Liability
- Restrictions on Transfer of Shares

October 5, 2016 Amendment

The amendment included the following:

- Name of the Corporation
- Corporation organized and existing under the laws of the State of Alabama
- Date on which the Articles of Incorporation of the Corporation and each amendment were filed
- Original Articles of Incorporation amended title

January 5, 2017 Amendment

The Articles of Incorporation were amended and restated in its entirety, which included the following:

- Change in number of members of the Board of Directors to no less than three.

Minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The minutes appeared to be complete with regard to actions taken on matters before the respective bodies for deliberation and action, except as otherwise noted in this Report.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration and Reporting

The Company is subject to the *Alabama Insurance Holding Company Regulatory Act*, as defined in ALA. CODE § 27-29-1 (1975). In connection therewith, the Company is registered with the Alabama Department of Insurance as joint registrant of an Insurance Holding Company System. The Company is responsible for holding company registration and periodic filings in accordance with ALA. CODE § 27-29-4 (1975), and ALA. ADMIN. CODE 482-1-055 (1994).

Appropriate filings required under the Holding Company Act are made from time to time by the Company as registrant of an Insurance Holding Company System. A review of the Company's filings during the period under review indicated that required disclosures were included in the Company's filings.

Dividends to Stockholders

The following cash dividends were declared and paid to the stockholder of the Company during the period under examination:

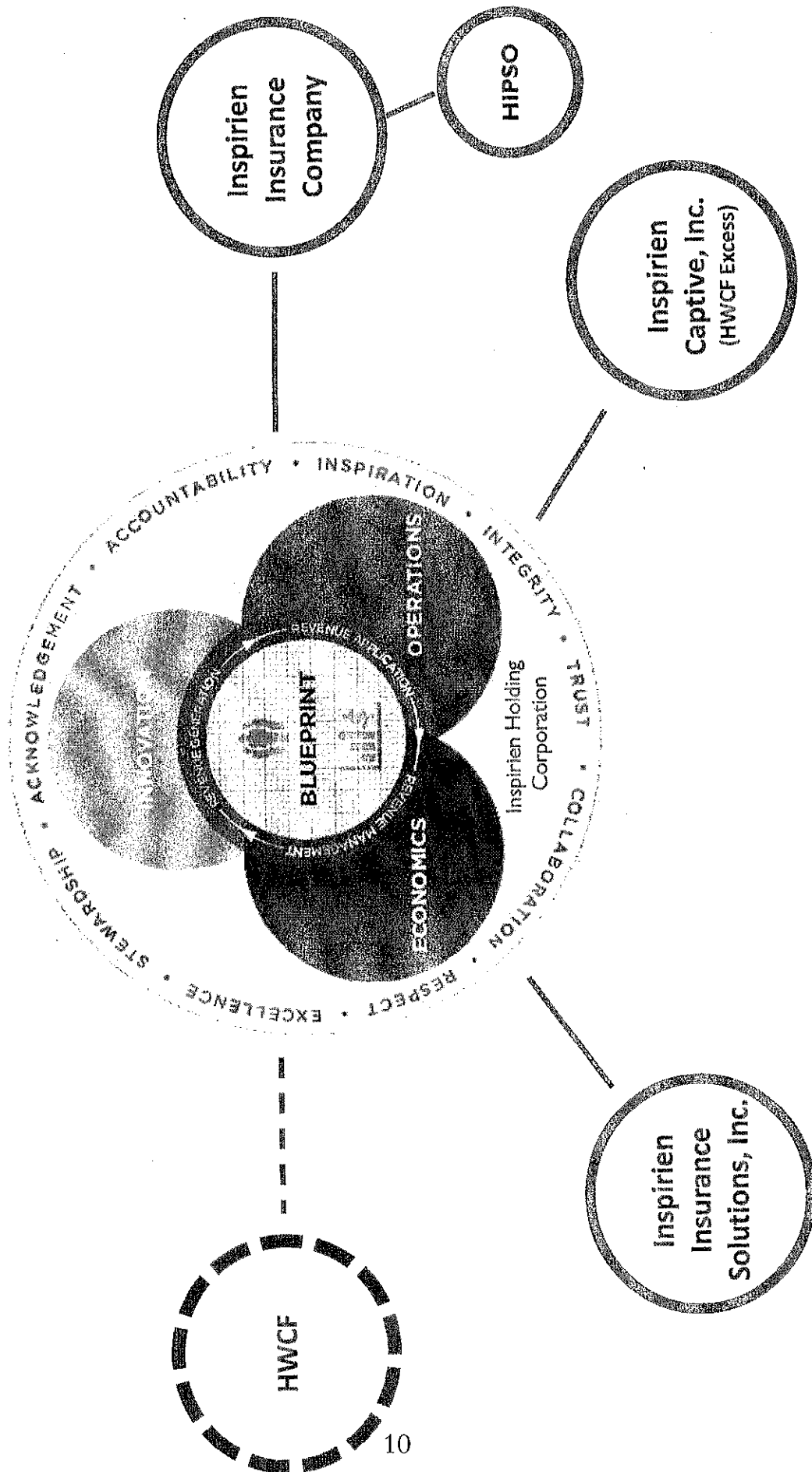
<u>Year</u>	<u>Amount</u>
2013	\$ 0
2014	0
2015	0
2016	0
2017	<u>\$203,451</u>
Total	<u>\$203,451</u>

Organizational Chart

According to the NAIC *Annual Statement Instructions* for Schedule Y, "...The NAIC company code and two-character state abbreviation of the state of domicile should be included for all domestic insurers. ... any person(s) (that includes natural person) deemed to be an ultimate controlling person, must be included in the organizational chart."

See the next page for the Organizational Chart reported by the Company in its 2017 Annual Statement.

INSPIRIEN



Transactions and Agreements with Affiliates

Management Agreement with Healthcare Improvement Patient Safety Organization, Inc.

The Company entered into a Management Agreement with Healthcare Improvement Patient Safety Organization, Inc. (HIPSO), a 100% owned affiliated company, on January 1, 2013. The Company will act as an administrator for the management of HIPSO under the laws and regulations of the State of Alabama and the provisions of the Patient Safety and Quality Improvement Act of 2005 (PSQIA).

Per this agreement, the Company is responsible for the day-to-day operations of HIPSO. The Company will perform and do for HIPSO every other act and thing contemplated by the Agreement to ensure HIPSO's orderly function and operation. HIPSO agrees to pay the Company a fee for the performance of the duties as enumerated by the Agreement. It is agreed that all charges will be invoiced on a regular monthly basis and that there will be a settlement of all charges no more than thirty days from the date of the invoice.

The terms of the Agreement shall begin January 1, 2013 and continue until terminated by one of the parties as provided herein and under the provisions of the PSQIA and associated regulations.

The Alabama Department of Insurance approved this agreement.

Cost Sharing Agreement

Effective January 4, 2017, the Company entered into a Cost Sharing Agreement with Inspirien Holding Corporation (IHC) (then a 100% owned affiliated company but as of December 31, 2017 -the Company's parent company), and Inspirien Insurance Solutions, Inc. (IIS), an affiliated company. The agreement was amended on November 29, 2017 to add Inspirien Captive, Inc. (ICI), which is a Vermont domiciled captive insurance company.

The Company, IHC, ICI and IIS are members of a commonly owned group of companies whereby each of the parties desires to use its personnel and facilities to provide to, and/or receive from, each of the other parties certain services, subject to the terms and conditions of the agreement. The term "Service Provider" shall mean any party if such party is providing any service to another party hereunder. The term "Service Recipient" shall mean any party if such party is receiving any service from another party hereunder. A party may be both a Service Provider and a Service

Recipient hereunder with respect to different services and any services may be provided to one or more parties hereunder.

The agreement specifies that a Service Provider shall make available to each company, its employees and independent contractors (or employees of independent contractors) to perform any services identified on Schedule I that may be requested by the Service Recipient on an as-needed basis. Also, these employees and independent contractors (or employees of independent contractors) may use office space, equipment, furniture, and supplies and other similar items.

Each Service Recipient shall bear and pay its allocable share of the cost incurred by Service Provider for the services and facilities provided by such service provider to such service recipient hereunder. The cost for such services and facilities shall be based on the actual cost of its employees and facilities without a profit factor being built therein and shall include all internal and external direct and indirect expenses incurred by the Service Provider in providing such services and facilities.

The Service Provider shall submit a statement to each Service Recipient no later than twenty days after the end of each calendar-year quarter (unless otherwise agreed to by the parties) with respect to the amount of costs payable by such Service Recipient for such quarter. Each statement shall set forth in reasonable detail the cost incurred in providing the services and facilities to such service recipient. Unless a Service Recipient disagrees as to the amount owed under a statement, full payment for all services and facilities as set forth in such statement shall be made no later than 30 calendar days following receipt of such statement.

Any party may terminate this agreement as to itself at any time and for any reason by providing the other parties at least 30 days prior written notice of its desired termination date allowing other provisions if the Company becomes insolvent.

This cost sharing agreement was effective January 4, 2017; however, the agreement was not filed with the Alabama Department of Insurance until February 9, 2018. The Company did not comply with ALA. CODE § 27-29-5 (b) (1975), which states: "The following transactions involving a domestic insurer and any person in its insurance holding company system, may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period...(d) All management agreements, service contracts, tax allocation agreements, guarantees and all cost-sharing arrangements. ..."

The examiners reviewed the minutes of the Board of Directors meetings to identify the Board's approval of the cost sharing agreement. The examiners established that the approval of this agreement was not recorded in the Board of Directors meetings as is required by ALA. CODE § 10A-2-16.01 (a) (1975), which states: "A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation."

The Alabama Department of Insurance approved this agreement.

COMPLIANCE WITH 18 U.S.C. § 1033 (ALA. ADMIN CODE 482-1-146-.11 (2009))

18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146.11 (2009) requires the Company to determine if prospective and current employees are in compliance with 18 U.S.C. § 1033, which prohibits persons with certain felony offenses from participating in conducting the business of insurance.

The Company indicated that all employees and prospective employees are required to submit to a criminal background check by signing a criminal background history release form. In order to verify compliance with 18 U.S.C. § 1033 and ALA. ADMIN. CODE 482-1-146-.11 (2009), the examiner selected all new employees during the examination period to determine if background checks were done. The Company did not provide background checks on two employees; therefore, the Company did not comply with ALA. ADMIN. CODE 482-1-146-.11 (2009) (see below) or ALA. CODE 27-27-29 (a) (1975), which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

According to the Company, criminal background checks would be conducted on its current employees on a rotational basis to ascertain the existence of a felony after the initial checks. For the examination period, the examiners determined that there were no criminal background checks performed on a periodic basis for employees after their initial hire. It was also determined that the Company's written policy did not contain a procedure for criminal background checks on a periodic basis after initial employment. The Company did not comply with ALA. ADMIN CODE 482-1-146-.11 (2009), which states:

(1) A Section 1033 insurer subject to the Commissioner's examination authority shall have and apply the following:

(a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.

(b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.

(c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.

(2) Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.

(3) As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedure.

STATUTORY DEPOSITS

The Company had the following deposit with Alabama as of December 31, 2017 in order to satisfy the statutory deposit requirement where the Company writes business:

<u>State</u>	<u>Book/Adjusting Carrying Value</u>	<u>Fair Value</u>
Alabama	\$136,101	\$136,101

The deposit was confirmed with the Alabama Department of Insurance.

FINANCIAL CONDITION/GROWTH OF THE COMPANY

The following table sets forth the significant items indicating the growth and financial condition of the Company for the period under review:

Year	Gross Premiums Written	Premiums Earned	Admitted Assets	Liabilities	Policyholders' Surplus
2013	\$8,414,474	\$5,190,842	\$42,679,404	\$24,183,446	\$18,495,958
2014	7,638,016	4,972,339	40,783,699	21,141,283	19,642,416
2015	7,221,255	5,028,911	38,888,324	19,578,033	19,310,291
2016	7,403,754	5,999,300	38,205,706	18,614,191	19,519,515
2017	8,220,108	4,752,830	34,110,445	18,560,502	15,549,943

MARKET CONDUCT ACTIVITIES

Territory

At December 31, 2017, the Company was licensed to transact business in the state of Alabama. The certificate of authority (COA) was inspected for the period under review and no discrepancies were found. Subsequent to the examination date, the Company obtained COAs for the following states: Mississippi, Kentucky, Louisiana, Georgia and Indiana.

Plan of Operation

During the period covered by the examination, the Company offered medical malpractice and other liability products to hospitals and physicians in the state of Alabama. Products included Professional Liability, General Liability, Excess Liability, Supplemental Liability, and Patient Safety Organization. The Company included a suite of services such as underwriting, risk management, claim administration, patient safety support, and other related services.

As of December 31, 2017, the Company's operational plan included the following goals: growth, improved efficiency and enhanced client services. At the examination date, the Company had four producers licensed in Alabama and appointed for the Company. The Chief Operating Officer of the Company had a producer's license and was appointed by the Company. None of the four licensed producers received commissions.

Underwriting, Policy Forms and Rate Filings

A sample of 114 transactions out of a population of 1,220 written premium transactions for the examination period was selected for review. The sample selection

was reviewed with regards to compliance with underwriting guidelines and unfair discriminatory practices. The premiums were calculated in accordance with the Company's guidelines, and the rates used were filed with Alabama Department of Insurance (ALDOI). The information reviewed indicated the Company did not use unfair or discriminatory practices.

There were 57 terminated and/or non-renewed policies for the examination period. All of the policies were reviewed with regards to: 1) compliance with cancellation policies and procedures and 2) proper documentation. The Company maintained proper documentation for Company initiated and insured initiated cancellations. The examiners determined that the policies were cancelled for non-payment of premium or insured requested cancellation. The cancellation and/or non-renewal files were complete and were handled in accordance with the Company's policies and procedures.

Marketing and Sales

The advertising and marketing materials used by the Company during the examination period were reviewed. The marketing of the Company's products was accomplished through ads, flyers, logos, brochures, medical news publications and the Company's website. Advertising is designed to generate interest of small rural hospitals and physicians to the Company's medical malpractice and other liability products.

The Company's webpage (www.inspirien.net) was reviewed and found to include the following links: Home, About Us, Mission, Products, Innovation and Contact. To request additional information, the prospective consumer can fill out the request form under the link "Contact" (Name, Phone, Email and Message), or they can call or write the home office for additional information.

Producers of the Company are not allowed to create their own advertising or marketing materials.

Claims Payment Practices

Paid Claims

The paid claims listing had 72 indemnity claim payments made during the examination period. The examiner took the entire population of hospital and physicians paid claims and reviewed the claims for compliance with policy provisions,

timeliness of payments and adequacy of documentation. No significant issues were found.

Denied and Closed without Payment Claims

A sample of 82 items was taken from a population of 216 items from the denied and closed without payment claims. The claims were reviewed for compliance with policy provisions and adequacy of documentation. No significant issues were found.

Complaint Handling

The examiners reviewed the Company's complaint register. There were no complaints logged in the register, and there were no complaints filed with the Alabama Department of Insurance. The Company's complaint handling policy and procedures addressed all written complaints directly from the insured or from the Alabama Department of Insurance.

According to the Company's policy and procedures, the Chief Operating Officer is required to respond to the complaint within 10 days of the receipt of the complaint. The Company is in compliance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states: "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner."

Compliance with Producers' Licensing Requirements

Appointments

The examiner selected a random sample of 114 premium transactions from a population of 1,220 direct written premium transactions during the examination period. The sample was reviewed to determine if the producers were properly licensed and appointed prior to writing business. Based on the review of the Company's records, it was determined that the producers were appropriately licensed and appointed. No discrepancies were found.

Terminated Producers

The Company terminated twelve producers during the examination. The review determined the Company appropriately terminated the producers through the SBS system.

Privacy Policy and Practices

The Company's Privacy Notice was reviewed for compliance with ALA. ADMIN. CODE 482-1-122 (2002). The Company does not allow the disclosure of personal information to any non-affiliated third parties except as permitted by law or by prior written authorization for release of the information. The information collected is restricted to employees or third parties who require that information in order to provide products and services. The Privacy Notice is automatically generated when new policies are issued and thereafter at renewals. The Company complied with the privacy requirements of ALA. ADMIN. CODE 482-1-122 (2002).

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the period covered by the examination.

Reinsurance Ceded

The Company's ceded reinsurance program was designed to reinsure certain portions of the policy limits above the Company's desired loss retention and reduce its net exposure on any one risk. The following reinsurance treaties were in-force at December 31, 2017 and negotiated through JLT Re:

- First Excess Casualty
- Excess Umbrella
- Cyber Liability Quota Share

First Excess Casualty

This treaty was effective July 1, 2017 between Inspirien Insurance Company and several reinsurers. The Schedule of Reinsurers' Participations are as follows:

Reinsurer	Percentage
Lloyd's Underwriters – See schedule below	62.50%
Aspen Insurance UK Limited, London, England	13.00%
Hannover Ruckversicherungs-Aktiengesellschaft, Hannover, Germany	22.00%
SCOR Reinsurance Company, Chicago, Illinois	2.50%
Total	100.00%

Schedule of Lloyd's Underwriters

Percentage	Syndicate Number	Pseudonym/ Name of Reinsurer
23.00%	2003	XLC/ XL Catlin Underwriting Agencies Limited
2.50%	4444	CNP/Canopus Managing Agents Limited
2.50%	1414	ASC/Ascot Underwriting Limited
6.00%	0566	STN/QBE Underwriting Limited
6.00%	4020	ARK/Ark Syndicate Management Limited
10.00%	0435	FDY/Faraday Underwriting Limited
7.50%	1084	CSL/Chaucer Syndicates Limited
5.00%	1955	BAR/Barbican Managing Agency Limited
62.50%		

The premium on this treaty is \$1 million/ \$3 million, with limits of \$5.4 million for hospitals and \$1.8 million for physicians. All Medical Professional Liability business will be insured on a Claims Made basis. The liability of a reinsurer under this contract is several and not joint with other reinsurers party to this contract. A reinsurer is liable only for the proportion of liability it has underwritten. A reinsurer is not jointly liable for the proportion of liability underwritten by any other reinsurer, nor is a reinsurer otherwise responsible for any liability of any other reinsurer that may underwrite this contract.

Excess Umbrella Reinsurance Contract

This treaty was effective July 1, 2017 between Inspirien Insurance Company and several reinsurers. The Schedule of Reinsurers' Participations are as follows:

Reinsurer	Percentage
Certain Lloyd's Underwriters – See schedule below	59.50%
Aspen Insurance UK Limited, London, England	9.00%
Hannover Ruckversicherungs-Aktiengesellschaft, Hannover, Germany	22.00%
SCOR Reinsurance Company, Chicago, Illinois	7.00%
<i>Total</i>	97.50%

Schedule of Lloyd's Underwriters

Percentage	Syndicate Number	Pseudonym/Name of Reinsurer
19.50%	2003	XLC/XL Catlin Underwriting Agencies Limited
6.00%	4020	ARK/Ark Syndicate Management Limited
2.50%	1414	ASC/Ascot Underwriting Limited
5.00%	0566	STN/QBE Underwriting Limited
10.00%	0435	FDY/Faraday Underwriting Limited

7.00%	4472	LIB/Liberty Managing Agency Limited
4.50%	1084	CSL/Chaucer Syndicates Limited
2.50%	1955	BAR/Barbican Managing Agency Limited
<u>2.50%</u>	4444	CNP/Canopus Managing Agents Limited
59.50%		

The premium on this treaty is \$1 million/ \$3 million, with limits of \$5.4 million for hospitals and \$1.8 million for physicians. All Medical Professional Liability business will be insured on a Claims Made basis. The Reinsurer shall be liable hereunder for the Company's Ultimate Net Loss, in excess of the underlying limits stated in the Underlying Limits Article, subject to a limit of liability to the Reinsurer of \$10,000,000 Ultimate Net Loss, as respects each insured, each and every Occurrence or Claim Made.

Cyber Liability Quota Share

This treaty was effective January 1, 2017, between certain underwriting members of Lloyd's of London and Inspirien Insurance Company. The subscribing reinsurer's share in the interests and liabilities of the reinsurer as set forth in the contract shall be 100.00%. The share of the subscribing reinsurer in the interests and liabilities of the reinsurer in respect of the contract shall be separate and apart from the shares of other subscribing reinsurers, if any, on the contract. The interests and liabilities of the subscribing reinsurer shall not be joint with those of such other subscribing reinsurers and in no event shall the subscribing reinsurer participate in the interests and liabilities of such other subscribing reinsurers.

ACCOUNTS AND RECORDS

The Company keeps records in electronic format on a Microsoft cloud-based document storage application and is not maintaining these records at its home office, which is not in accordance with ALA. CODE § 27-27-29 (a) (1975), which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

The Company did not always provide requested information within ten working days, as required by ALA. ADMIN. CODE 482-1-118-.06 (1999), which states "The insurer shall provide, within ten (10) working days, any record or response requested

in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner.”

Unclaimed Property Filings

According to ALA. CODE § 35-12-72 (1975), “Presumption of abandonment (a) Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property: (18) All other property, three years after the owner’s right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.” Also, regarding the unclaimed property report to be filed with the Alabama State Treasurer, according to ALA. CODE § 35-12-76 (c) (1975), “The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year.” During the examiner’s review to determine if the Company complied with the aforementioned statutes, there was one stale dated check that was over three years old at July 1, 2017 and was not properly escheated to the State Treasurer on November 1, 2017. The Company was determined to not be in compliance with these statutes.

FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the State of Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

Statement of Assets.....23
Statement of Liabilities, Surplus and Other Funds.....24
Statement of Income.....25
Reconciliation of the Capital and Surplus Account.....26

INSPIRIEN INSURANCE COMPANY
STATEMENT OF ASSETS
For the Year Ended December 31, 2017

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
ASSETS			
Bonds	\$26,194,859		\$26,194,859
Stocks:			
Common stocks	4,749,314	\$ 1,000	4,748,314
Cash (\$515,883, Sch. E-Part 1), cash equivalents (\$284,209 Sch. E – Part 2) & short-term investments (\$578,888 Sch. DA)	1,378,980		1,378,980
Receivables for securities	<u>9,479</u>	<u>-0-</u>	<u>9,479</u>
Subtotals, cash and invested assets	<u>\$32,332,632</u>	<u>\$ 1,000</u>	<u>\$32,331,632</u>
Investment income due and accrued	\$ 179,957		\$ 179,957
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	209,070	103,734	105,336
Deferred premiums, agents' balances and installments booked but deferred and not yet due	413,505		413,505
Current federal and foreign income tax recoverable and interest thereon	31,886		31,886
Net deferred tax asset	472,808		472,808
Electronic data processing equipment and software	268,263	258,873	9,390
Receivables from parent, subsidiaries and affiliates	273,223	25,158	248,065
Aggregate write-ins for other than invested assets:			
Accounts receivable – hospital deductible	358,870	41,005	317,865
Prepaid expenses	<u>110,000</u>	<u>110,000</u>	<u>-0-</u>
TOTALS	<u>\$34,650,215</u>	<u>\$539,770</u>	<u>\$34,110,445</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

INSPIRIEN INSURANCE COMPANY
STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS
For the Year Ended December 31, 2017

LIABILITIES

Losses	\$ 9,636,047
Loss adjustment expenses	6,023,392
Commissions payable, contingent commissions and other similar charges	6,438
Other expenses	3,460
Taxes, licenses and fees	-7,095
Unearned premiums	724,104
Advance premium	6,651
Ceded reinsurance premiums payable	801,445
Provision for reinsurance	78,000
Payable to parent, subsidiaries and affiliates	996,075
Aggregate write-ins for liabilities	<u>291,985</u>
Total Liabilities	\$ <u>18,560,502</u>
Common capital stock	1,000
Aggregate write-ins for other than special surplus funds	-2,500,000
Gross paid in and contributed surplus	8,702,044
Unassigned funds (surplus)	9,455,769
Less treasury stock, at cost:	
393,858 shares common (value included in Line 30 \$189,916)	<u>108,870</u>
Surplus as regards policyholders	\$ <u>15,549,943</u>
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$ <u>34,110,455</u>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.**

INSPIRIEN INSURANCE COMPANY
STATEMENT OF INCOME

For the Years Ended December 31, 2017, 2016, 2015, 2014 and 2013

<u>Underwriting Income</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Premiums earned	\$ 4,752,830	\$ 5,999,300	\$ 5,028,911	\$ 4,972,339	\$ 5,190,842
<u>Deductions:</u>					
Losses incurred	2,266,699	- 349,925	1,484,810	58,377	1,792,797
Loss adjustment expenses incurred	2,093,110	2,698,519	1,709,451	1,175,359	774,442
Other underwriting expenses incurred	<u>3,668,702</u>	<u>4,374,710</u>	<u>3,652,453</u>	<u>4,200,900</u>	<u>3,015,971</u>
Total underwriting deductions	<u>\$ 8,028,511</u>	<u>\$ 6,723,304</u>	<u>\$ 6,846,714</u>	<u>\$ 5,434,636</u>	<u>\$ 5,583,210</u>
Net underwriting gain (loss)	\$ -3,275,681	\$ -724,004	\$ -1,817,803	\$ -462,297	\$ -392,368
<u>Investment Income</u>					
Net investment income earned	\$ 904,947	\$ 894,823	\$ 864,863	\$ 1,000,580	\$ 942,844
Net realized capital gains (losses)	<u>239,012</u>	<u>124,934</u>	<u>366,112</u>	<u>131,509</u>	<u>78,316</u>
Net investment gain	<u>\$ 1,143,959</u>	<u>\$ 1,019,757</u>	<u>\$ 1,230,975</u>	<u>\$ 1,132,089</u>	<u>\$ 1,021,160</u>
<u>Other Income</u>					
Aggregate write-ins for miscellaneous income	\$ <u>500</u>	\$ <u>6,552</u>	\$ <u>1,600</u>	\$ <u>2,517</u>	\$ <u>2,301</u>
Total other income	\$ <u>500</u>	\$ <u>6,552</u>	\$ <u>1,600</u>	\$ <u>2,517</u>	\$ <u>2,301</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal & foreign income taxes	<u>\$ -2,131,222</u>	<u>\$ 302,305</u>	<u>\$ -585,228</u>	<u>\$ 672,309</u>	<u>\$ 631,093</u>
Federal and foreign income taxes incurred	<u>-0-</u>	<u>-67,505</u>	<u>-177,663</u>	<u>-255,104</u>	<u>222,811</u>
NET INCOME	\$ -2,131,222	\$ 369,810	\$ -407,565	\$ 927,413	\$ 408,282

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

INSPIRIEN INSURANCE COMPANY
STATEMENT OF CHANGES IN CAPITAL AND SURPLUS
For the Years Ended December 31, 2017, 2016, 2015, 2014 and 2013

Capital and Surplus Account	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Surplus as regards policyholders, December 31, prior year	\$ 19,591,515	\$ 19,310,291	\$ 19,642,416	\$ 18,495,958	\$ 18,014,184
Net income (loss)	-2,131,222	369,810	-407,565	927,413	408,282
Change in net unrealized capital gains (losses)	-51,634	283,997	-126,681	115,833	16,844
Change in net deferred income tax	-535,193	183,250	-84,374	-333,951	56,541
Change in nonadmitted assets	1,131,009	-332,833	305,976	270,960	66,384
Change in provision for reinsurance	154,000	-223,000	27,000	-13,000	-23,000
Capital changes: Paid in			41	-128,784	-370,418
Capital changes: Transferred to surplus	-7,138				
Surplus adjustments: Paid in	7,138		28,809	93,014	-3,217,009
Dividends to stockholders	-203,451				
Change in treasury stock			-19,510	-78,240	3,544,150
Aggregate write-ins for gains and losses in surplus	<u>-2,405,081</u>	<u>0</u>	<u>-55,821</u>	<u>293,213</u>	<u>0</u>
Change in surplus as regards policyholders for the year	\$ <u>-4,041,572</u>	\$ <u>281,224</u>	\$ <u>-332,125</u>	\$ <u>1,146,458</u>	\$ <u>481,774</u>
Surplus as regards policyholders, December 31, current year	\$ <u>15,549,943</u>	\$ <u>19,591,515</u>	\$ <u>19,310,291</u>	\$ <u>19,642,416</u>	\$ <u>18,495,958</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1- Bonds	<u>\$26,194,859</u>
<u>Common stocks</u>	<u>\$ 4,748,314</u>

The captioned amounts are the same as reported by the Company in its 2017 Annual Statement.

The examiner noted during the review of the Company's Board minutes that the Board did not approve the Company's investments during the examination period, which was not in accordance with ALA. CODE § 27-41-5 (1975). According to this statute, "An insurer shall not make any investment or loan exceeding 10 percent of the admitted assets of the insurer, other than loans on policies or annuity contracts, unless authorized, approved, or ratified by the board of directors of the insurer or by the committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors. ..." According to the Company's Schedule D- Part 3, the Company had the following investment (bonds and common stocks) purchases during the examination period:

2017	\$ 7,160,858
2016	\$ 6,798,228
2015	\$16,750,354
2014	\$ 6,905,034
2013	\$12,486,937

Admitted assets and ten percent of admitted assets were as follows:

2016	\$38,205,706	\$3,820,571
2015	\$38,888,324	\$3,888,832
2014	\$40,783,699	\$4,078,370
2013	\$42,679,404	\$4,267,940
2012	\$50,490,466	\$5,049,047

The Company's investment purchases for each year under exam exceeded ten percent of admitted assets for the prior year.

Note 2- Analysis of Changes to Surplus

There were no adjustments made to surplus as a result of the examination.

CONTINGENT LIABILITIES AND PENDING LITIGATION

The examination of contingent liabilities and pending litigation included a review of the Company's statutory financial statement disclosures, minutes of the Board of Directors' meetings, pending claims and the Letter of Representation. There were no material unreported contingencies that would have an impact on the Company's financials.

The legal confirmations were obtained by the Company's external auditor from law firms representing the Company. These were reviewed by the examiners and did not disclose items that would have a material effect on the Company's financial position in the event of an adverse outcome.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with the prior recommendations with the exception of the following:

Conflict of Interest

The prior examination recommended that the Company maintain evidence of its conflict of interest statements signed by its officers, directors, and responsible employees as required by its own Conflict of Interest policy in order to comply with ALA. CODE § 27-27-29 (a) (1975), which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted." This examination found that the Company did not comply with this recommendation. See "Conflict of Interest" on page 6.

Transactions and Agreements with Affiliates

The prior examination recommended that the Company not enter into any transactions with affiliated parties without prior approval of the management services agreement by the Alabama Department of Insurance as required by ALA. CODE § 27-29-5 (b) (1975) and that the Company maintain complete records of all actions taken by the Board of Directors, including documenting the approval of the management service agreements by the Board of Directors in the minutes of the Board of Directors meetings as required by ALA. CODE § 10A-2-16.01 (a)

(1975). The Company did not comply with these two recommendations. See “Transactions and Agreements with Affiliates” on page 11.

Compliance with 18 U.S.C. § 1033 (ALA. ADMIN CODE 482-1-146-.11 (2009))

The prior examination recommended that the Company establish an internal procedure to perform background checks on employees on an ongoing basis as required by ALA. ADMIN. CODE 482-1-146-11(2009) and maintain copies of these background checks in accordance with ALA. CODE § 27-27-29 (a) (1975). The Company did not comply with these recommendations. See “COMPLIANCE WITH 18 U.S.C. § 1033 (ALA. ADMIN CODE 482-1-146-.11 (2009))” on page 13.

COMMENTS AND RECOMMENDATIONS

Conflict of Interest – Page 6

It is recommended that the Company maintain evidence of its signed conflict of interest statements in accordance with ALA. CODE § 27-27-29 (a) (1975), which states: “Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted.”

Organizational Chart – Page 9

It is recommended that the Company include the state of domicile, NAIC company code, and the ultimate controlling person(s) in its Schedule Y- Part 1 in accordance with the NAIC *Annual Statement Instructions*, which state: “...The NAIC company code and two-character state abbreviation of the state of domicile should be included for all domestic insurers. ... any person(s) (that includes natural person) deemed to be an ultimate controlling person, must be included in the organizational chart.”

Transactions and Agreements with Affiliates – Page 11

It is recommended that the Company not enter into any agreement with affiliated parties without prior approval by the Alabama Department of Insurance as is required by ALA. CODE § 27-29-5 (b) (1975), which states: “The following transactions involving a domestic insurer and any person in its insurance holding company system may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into such transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not

disapproved it within that period. ... (d) All management agreements, service contracts, tax allocation agreements, guarantees and all cost-sharing arrangements. ...”

It is recommended that the Company maintain complete records of all actions taken by the Board of Directors, including documenting the approval of management service agreements by the Board of Directors in the minutes of the Board of Directors meeting as required by ALA. CODE § 10A-2-16.01 (a) (1975), which states: “A corporation shall keep as permanent records minutes of all meetings of its shareholders and board of directors, a record of all actions taken by the shareholders or board of directors without a meeting and a record of all actions taken by a committee of the board of directors in place of the board of directors on behalf of the corporation.”

COMPLIANCE WITH 18 U.S.C. § 1033 (ALA. ADMIN CODE 482-1-146-.11 (2009)) - Page 13

It is recommended that the Company perform background checks on prospective employees and establish an internal procedure to perform background checks on employees on a periodic basis as is required by ALA. ADMIN. CODE 482-1-146-.11 (2009), which states:

- (1) A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following:
 - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.
 - (b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.
 - (c) An internal procedure for assuring that affected employees or individual contractors have obtained and hold any required Section 1033 consent during the period of employment or contracting.
- (2) Such procedures shall be maintained in a format capable of being furnished to the Department as part of the examination process or otherwise as requested by the Department.
- (3) As part of an examination or otherwise, the Department may determine the existence of such procedures, whether and how they are being followed, and the effectiveness of the procedures.

It is recommended that the Company maintain copies of the background checks performed on its employees and provide the same to the examiners as required by ALA. CODE § 27-27-29 (a) (1975), which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

ACCOUNTS AND RECORDS– Page 20

It is recommended that the Company maintain a copy of all records and its home office in accordance with ALA. CODE § 27-27-29 (a) (1975), which states: "Every domestic insurer shall have, and maintain, its principal place of business and home office in this state and shall keep in this state complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of insurance transacted."

It is recommended that the Company provide requested information within ten days in accordance with ALA. ADMIN. CODE 482-1-118-.06 (1999), which states: "The insurer shall provide, within ten (10) working days, any record or response requested in writing by any duly appointed deputy, assistant, employee or examiner of the commissioner."

Unclaimed Property

It is recommended that the Company properly submit all unclaimed property over three years old at July 1st to the State Treasurer on November 1st of that year in accordance with ALA. CODE § 35-12-72 (1975) and ALA. CODE 35-12-76 (1975). According to ALA. CODE § 35-12-72 (1975), "Presumption of abandonment (a) Property is presumed abandoned it is unclaimed by the apparent owner during the time set forth below for the particular property: (18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs." Also, regarding the unclaimed property report to be filed with the Alabama State Treasurer, according to ALA. CODE § 35-12-76 (c) (1975), "The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year."

Bonds and Common stocks- Page 27

It is recommended that the Company's Board approve its investments and reflect this approval within its Board minutes in accordance with ALA. CODE § 27-41-5 (1975), which states: "An insurer shall not make any investment or loan exceeding 10

percent of the admitted assets of the insurer, other than loans on policies or annuity contracts, unless authorized, approved, or ratified by the board of directors of the insurer or by the committee or person as the board of directors shall expressly authorize. The action of the board of directors, the committee, or other persons so authorized shall be recorded and regular reports thereof shall be submitted to the board of directors. ...”

SUBSEQUENT EVENTS

The following was noted during the review of events subsequent to December 31, 2017:

- On April 3, 2018, the Company’s Articles of Incorporation were amended to reflect a change in the par value of stock from \$.01 to \$1.00.
- The Company was issued certificates of authority in Georgia, Louisiana, Mississippi, Indiana and Kentucky.

CONCLUSION

Acknowledgment is hereby made of the courteous cooperation extended by the officers of and employees utilized by the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Mora Perkins-Taylor, MCM, Kristina Rhodes, Chemeka Thomas, Charles Turner, CISA, Kizzy Williams, and Brent Sallay, FCAS, MAAA, actuarial examiner, with Taylor-Walker & Consulting, LLC represented the Alabama Department of Insurance and participated in certain phases of this examination.

Respectfully submitted,



Rhonda B. Ball, CFE
Examiner-in-charge
Alabama Department of Insurance